

Federal Medical Assistance Percentage (FMAP) Rates

Background

Medicaid is a jointly-funded State and federal Program. The FMAP is the portion of the Medicaid Program that is funded by the federal government. State FMAP rates are calculated annually and base FMAP rates vary widely from state to state ranging from a minimum of 50.0% in a number of states to a high of 76.29% in Mississippi for FY 2011. In Iowa, the base FMAP rate for FY 2011 is 63.51%. This means, for every dollar spent on the Medicaid Program, the federal government will pay for \$0.6351 and the State pays \$0.3649. The rate applies to most medical services expenditures, but does not apply to administrative costs that are reimbursed at 50.0%, or to certain populations such as family planning that have a separate rate.

The FMAP formula, as required by federal statute, is based on a rolling three-year average of per capita income for each state produced by the U.S. Department of Commerce's Bureau of Economic Analysis. The State's share of the formula is detailed below.

$$\text{State Share} = 0.45 \times \frac{\text{State Per Capita Income}^2}{\text{U.S. Per Capita Income}^2}$$

The formula is designed to provide states that have lower per capita income compared to the U.S. as a whole with a greater share of financial assistance. The statute contains both minimum and maximum percentages so no state will have to pay for more than 50.0% of the cost and the federal government will not pay for more than 83.0% of the cost.

American Recovery and Reinvestment Act

As part of the American Recovery and Reinvestment Act (ARRA) of 2009, the federal government provided an increased FMAP rate for states for 27 months to help offset higher Medicaid costs in a weak economy. The legislation provided a 6.2% base increase for all states, with three additional incremental increases available if states hit certain unemployment benchmarks. In August, 2010, Congress approved and the President signed legislation to extend the ARRA FMAP by six months, through the end of FY 2011. The extension reduces the enhanced FMAP rate from 6.2% to 3.1% for the period January to March of 2011, with another reduction to 1.2% from April through June of 2011. States will still receive additional unemployment bonuses. Iowa's FMAP rate increases are detailed below.

ARRA Medicaid FMAP Rates			
	Original FMAP	ARRA FMAP	Difference
Oct. 2008 - Jun. 2009	62.62%	68.62%	6.00%
Jul. 2009 - Sep. 2009	62.62%	70.71%	8.09%
Oct. 2009 - Sep. 2010	63.51%	72.55%	9.04%
Oct. 2010 - Dec. 2010	62.63%	72.55%	9.92%
Jan. 2011 - Mar. 2011	62.63%	69.68%	7.05%
Apr. 2011 - Jun. 2011	62.63%	67.76%	5.13%

More Information

Federal FMAP website: <http://aspe.hhs.gov/health/fmap.htm>

ARRA FMAP – Recovery.gov: <http://www.hhs.gov/recovery/statefundsmmap.html>

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In addition to FMAP increases for the regular Medicaid program, Iowa is also receiving the enhanced FMAP rate for Medicaid expenditures at the State Resource Centers, the IowaCare waiver, and expenditures to the federal government for Medicare Part D known as clawback payments. In total, Iowa has saved \$125.2 million in FY 2009 and \$243.0 million in FY 2010, and is estimated to save \$205.5 million in FY 2011.

ARRA FMAP State Savings				
	FY 2009	FY 2010	FY 2011	Total
State Resource Centers	\$ 7,236,104	\$ 11,609,113	\$ 8,364,827	\$ 27,210,044
IowaCare Waiver	3,988,356	7,830,907	6,950,995	18,770,258
Medicaid	113,976,907	223,587,421	190,202,875	527,767,203
Total	\$ 125,201,367	\$ 243,027,441	\$ 205,518,697	\$ 573,747,505

FMAP Changes for FY 2012

On September 20, 2010, the federal Bureau of Economic Analysis released the latest personal income data for FY 2009, allowing for the final calculation of the FY 2012 FMAP. For 2009, Iowa's personal income decreased by 1.1%. The decrease was 0.6% less than the national average of 1.7%. For the three-year period the FMAP is calculated, Iowa's personal income grew by 4.3% compared to a national average of 0.4%. Because Iowa's personal income growth was significantly greater than the national average, the State's FMAP rate will decrease by a greater amount than other states. For FY 2012, Iowa's regular FMAP rate will be reduced by 1.92% from 62.63% to 60.71%. The 1.92% decrease in the rate means that approximately \$36.0 million in Medicaid expenditures will be shifted from the federal government to the responsibility of the State.

Iowa Regular FMAP Rate FFY 2006-2012		
Federal Fiscal Year	Percentage	Percent Change
FFY 2006	63.61%	-
FFY 2007	61.98%	-1.63%
FFY 2008	61.73%	-0.25%
FFY 2009	62.62%	0.89%
FFY 2010	63.51%	0.89%
FFY 2011	62.63%	-0.88%
FFY 2012	60.71%	-1.92%

NOTE: All FMAP cost and savings estimates for FY 2011 and FY 2012 are based on estimated Medicaid expenditures as of October 2010. These figures are subject to change. Updated information is available monthly in the Medicaid forecast published by the LSA.